



Status Report on Rate Stabilization Account

Presentation to Energy, Technology & City Rights Committee

May 18, 2011

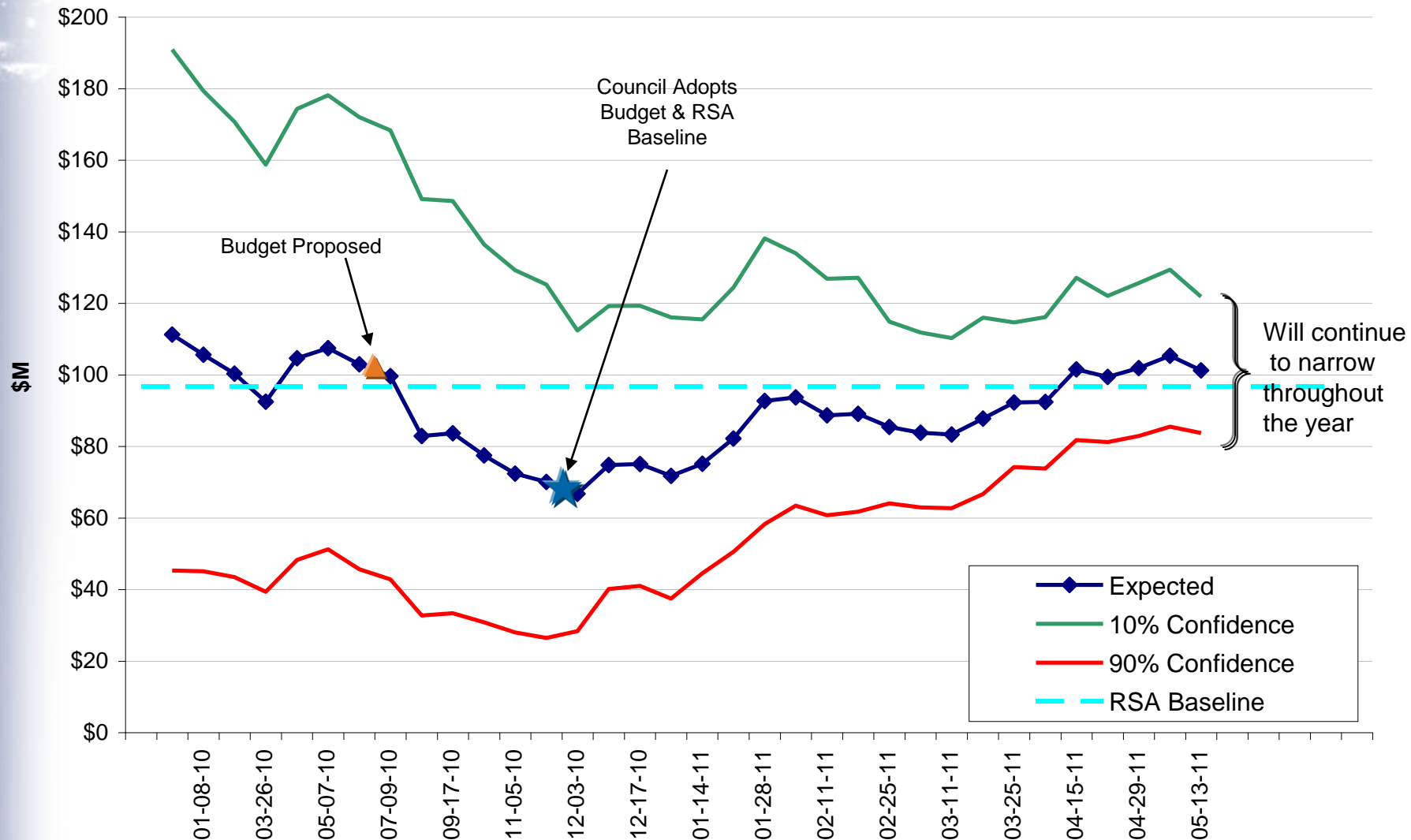
Rate Stabilization Account

- Created to help buffer variations in the Utility's revenues from surplus power sales
 - Surplus power sales have ranged from 8% to 19% of revenues in past 5 years
 - Without RSA, must curtail services or suffer poor financial performance that imperils credit rating
- RSA fully funded to \$100 million by 1/1/2011

RSA Operation

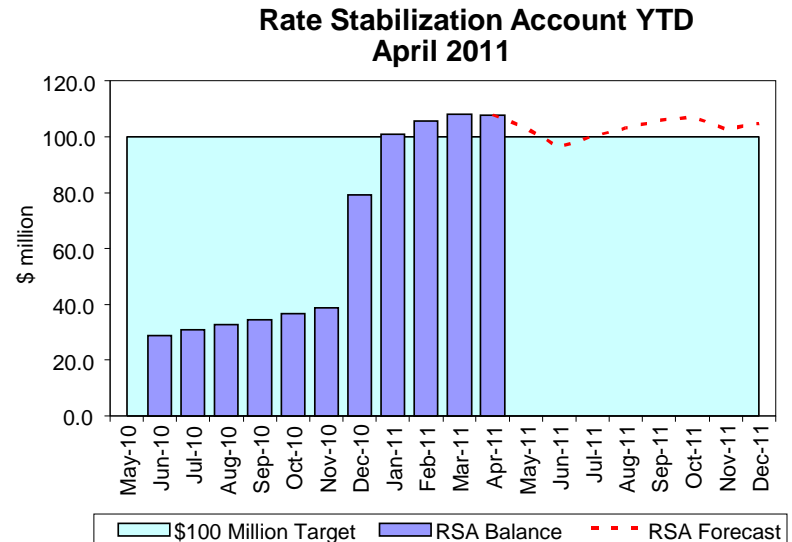
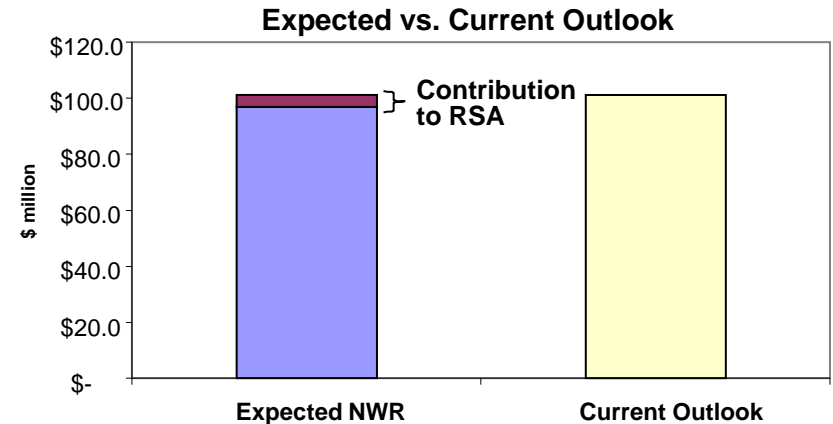
- Set expected net wholesale revenue annually
- By Ordinance, the expected NWR is set by the average of actual NWR since 2002
- Quarterly:
 - If Actual NWR > expected, deposit excess in RSA
 - If Actual NWR < expected, withdraw shortfall from RSA
- Surcharges help replenish RSA if it falls below minimum levels

2011 NWR outlook improved, but significant uncertainty remains



RSA Outlook for 2011

- 2011 current NWR outlook good: (\$101M vs. \$96.8M planned) results in \$4.2M contribution to RSA
- No 2011 surcharge anticipated
- Balance of ~\$105M expected at year-end



A blue-tinted image of a city skyline at night, with numerous illuminated buildings and a prominent bridge structure visible in the background.

Conclusions

- 2011 outlook improved, but uncertainty remains
 - No 2011 RSA surcharge anticipated at this time
- RSA functioning well overall
 - But, NWR outlook for future years still weak—continuing need to move towards a less optimistic estimate
 - Options to be considered in upcoming Financial Policy review and Strategic Plan